



## COUNCILMEMBER DONNA FRYE

City of San Diego  
Sixth District

### MEMORANDUM

DATE: February 27, 2007  
TO: Mayor Jerry Sanders  
FROM: Councilmember Donna Frye  
SUBJECT: Water Billing

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I have provided for you below some further analysis regarding my concerns with the accuracy of the water bills (not just the frequency). In addition to my opposition to overcharging water customers, I opposed the water rate increase because even if the noticing sent out was "legally sufficient" and met the letter of the law, it certainly did not meet the spirit. Residential water customers will pay more than 6.5% in the first year, despite the table shown in the Prop 218 notice that states otherwise. This is not the way to keep faith with the public. In addition, I am recommending an interim solution to correct billing inaccuracies.

#### The Change to Monthly Billing

According to the City Council minutes, on April 30, 2002 Mayor Dick Murphy and a City Council majority voted to require that the water department implement monthly billing no later than December 31, 2003. The anticipated benefits of monthly billing included a "decrease in delinquent bills, less financial hardship and regularity of bills."

In September 2003, the city converted to monthly billing for single family, small multi-family and small commercial customers (government, large multi-family, large commercial and institutional customers receive monthly bills already). The one-time cost to convert to monthly billing was \$1.3 million. The ongoing additional annual cost to send out six more bills per year is approximately \$570,000 due to additional postage, bill printing and envelope expenditures.

Since monthly billing began, the water department has not experienced the expected decrease in delinquent bills. In FY 2004, the year of the conversion, shutoffs increased by 897 over the previous year. The number of accounts shut off in FY 2005 increased by 2,770.

When the conversion began, the meters were still read bi-monthly. Therefore, every other month the customer receives an estimated bill. The first month is an estimate and the meter is read in the second month. After the conversion, the Water Department received complaints from customers about the bills, specifically that they were being overcharged. Their complaints were valid and many water customers were, in fact, being overcharged.

In March 2005, after customer complaints of overcharging and City Council committee action, the Water Department adjusted the customer accounts. This adjustment for overcharging is now made every six months. It is still not clear to me why, once the meter is read, the difference between the estimate and the meter reading cannot be trued up, and instead it takes six months to make the adjustments.

Per the water cost of service study, there are approximately 217,000 single-family water meters in the city. According to the Water Department, at a November 15, 2006 meeting of the Natural Resources and Culture (NR&C) committee, the average overcharge (adjustment) was 18¢ per month per account. For the six-month adjustment period completed in September 2006, the average adjustment for each account was \$1.43 for the six-month period.

At the November 15 hearing, the NR&C committee voted to return to bi-monthly billing and forward this recommendation on to the full City Council. The Mayor's office has opposed this change, claiming it is too confusing for customers to have both their billing cycle change and rates increase at the same time, and that the Data Processing Corporation was too busy with other projects to work on this.

A February 22, 2007 memo to me from Rich Haas, Deputy Chief of Public Works, stated that, "*Over the latest adjustment cycle already billed to customers (January 2006 through June 2006), 74% of all single family accounts received a slight billing adjustment.*" That means that approximately 161,000 single-family residential customers received an inaccurate bill that required an adjustment.

That same memo stated that adjustments for the current review cycle will be mailed in March of the this year and that based upon the latest review cycle already billed, "*...found that for a typical residential customer in this period they were credited 32¢ for each month in the review period for a total adjustment of \$1.92.*"

Returning to a bi-monthly billing cycle will save ratepayers over \$500,000 every year, ensure accurate billing statements for the 74% of single-family customers who are currently being overcharged, and help restore the public trust. The money we save every year can be used to help pay for water main repairs and replacements.

I understand the conversion to bi-monthly billing requires more time, but it is imperative that the public be confident in the city's ability to accurately and fairly charge them for their water use.

I recommend that as a starting point in this effort, the city should "adjust" the bills every two months, rather than every six months, until such time as the billing cycles can be changed.

Thank you for your attention to this matter. Your timely response is greatly appreciated.

cc: Honorable City Councilmembers  
City Attorney, Michael Aguirre  
Andrea Tevlin, Independent Budget Analyst

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